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~~TOP SECRET~~**GENERAL****1. India strongly opposed to Thai UN appeal:**

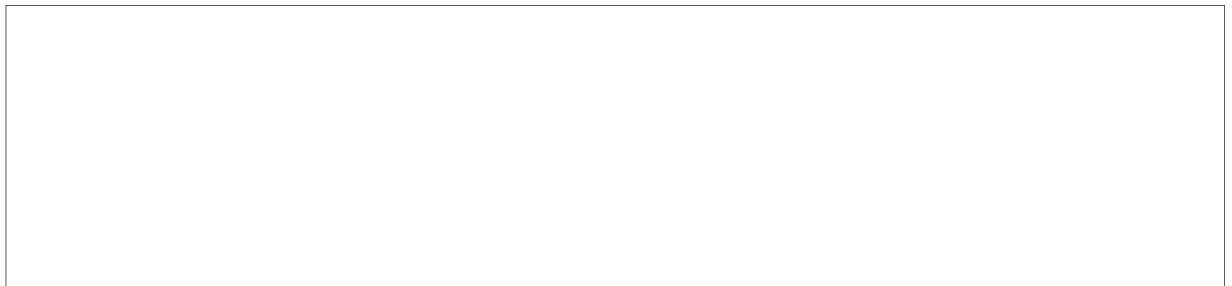
The Indians are "really getting their steam up" over Thailand's appeal to the UN Security Council, according to the British acting high commissioner in

New Delhi. He told Ambassador Allen on 3 June that Indian officials believe the Thai move is an effort to by-pass, impede or belittle the Geneva negotiations on Indochina.

On 2 June the secretary general of the Indian Foreign Ministry summarily refused the Thai ambassador's request that India support the appeal.

Comment: Vehement Indian opposition could severely hamper the success of Thailand's request that the UN Peace Observation Commission observe Communist action in Indochina as a threat to Thai security, since India has been envisaged as a leading participant in the subcommittee which would be set up for this purpose.

New Delhi can also be expected to oppose any other move which it regards as tending to distract attention from Geneva or is strongly objected to by the Communists.

FAR EAST**2. Japanese business circles reported urging Yoshida retirement:**~~TOP SECRET~~

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Comment: Yoshida's dictatorial methods, his unwillingness to heed party advice and his refusal to consult party leaders on important policy matters have steadily undermined his base of support. He apparently hopes to improve his position through American "presents" and by capitalizing on the recent Diet fracas, which has been a powerful spur to conservative unity. Loss of financial support from Japanese businessmen would be a serious blow to the Liberal Party.

SOUTHEAST ASIA

3. Viet Minh may be preparing prisoner lists for cease-fire:

Comment: The Viet Minh may be anticipating a parallel to the Korean situation, where an exchange of sick and wounded followed by a general prisoner agreement paved the way for a formal cease-fire.

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4. Vietnamese protest French defeatism at Geneva:

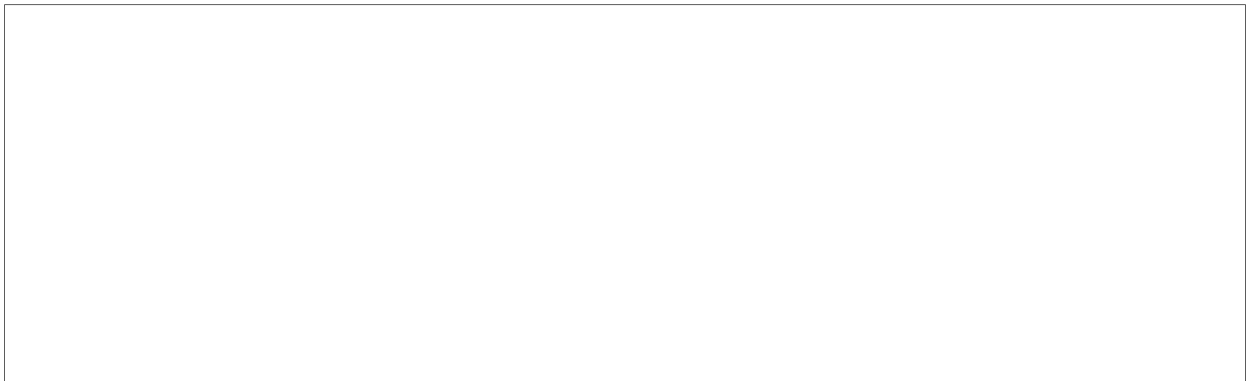


A member of the Vietnamese delegation at Geneva told Ambassador Heath on 3 June that he had protested to the French delegation that the French officers now negotiating with Viet Minh military representatives there are defeatists. He said the Vietnamese delegation has been instructed to watch for signs of "defeatist concessions" by their French colleagues.

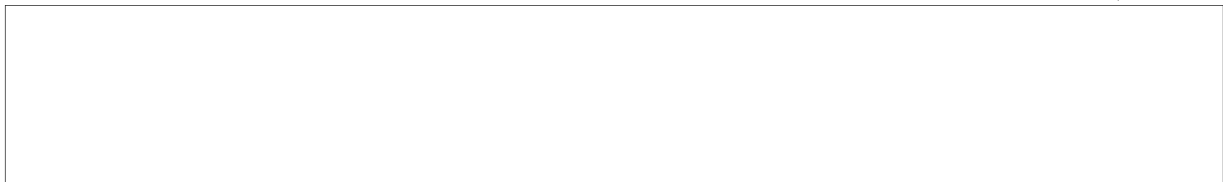
Comment: Indicative of the fact that the French government's efforts are aimed at an early negotiated settlement is the appointment as commander in chief in Indochina of General Ely, whose preoccupation in recent years has been with staff functions to the exclusion of field experience, rather than General Cogny, a proponent of more forceful measures.

General Salan, whose Maginot type of thinking was largely responsible for the present military situation in Indochina, is reported to be Ely's chief aide. The new minister for the Associated States, Frederic-Dupont, who is a Gaullist, has also stated that his primary interest in taking office is to further the cease-fire negotiations at Geneva.

5. Thailand has reservations on Southeast Asian security arrangement:

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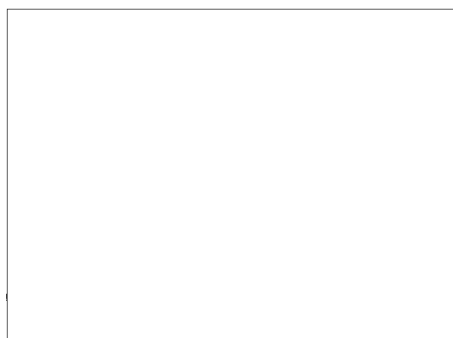
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Comment: [redacted] both Bangkok's unremitting efforts to obtain a Western defense commitment and its apprehension lest Western abandonment of Southeast Asia leave Thailand exposed to Communist retaliation for its strong support of the Western position.

An editorial of 2 June in Phibun's Bangkok newspaper warned that free Asian states might feel compelled to "sign up" with the Communists if abandoned by the West.

NEAR EAST - AFRICA

6. Iranian oil negotiations approaching new impasse:



Ambassador Henderson believes that an oil agreement which does not clearly indicate that the proposed consortium will be acting as the agent of Iran, rather than in its own right, would probably lack durability even if Majlis ratification were eventually achieved. He expressed this opinion after receiving information that "agency status" would probably be unacceptable to the consortium.

Henderson emphasized that, despite inherent political intrigues, the great majority of Iran's leaders and people desire an oil agreement which will assure the country a steady income for many years. He warns, however, that they would prefer no settlement to one which involved the "national humiliation" of scrapping the oil nationalization law.

Comment: The question of agency status appears to be a major problem on which compromise will be exceedingly difficult, both from the standpoint of the practical business attitude of

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the consortium and from the angle of Iranian emotionalism. Even though Iran has intimated that agency status would be more nominal than real, it is almost certain to stick on this point unless some device is found to protect its national prestige.

7. Comment on Greek-Yugoslav announcement on military alliance:

[] The Greek-Yugoslav announcement, concurred in by Turkey, that a tripartite military alliance will be established when the foreign ministers of the three countries meet in July resulted primarily from a conviction that automatic defense commitments are essential for continuing security. The announcement was made despite considerable urging by the Western powers that the element of timing be left open.

All three powers have clearly demonstrated during recent months their intention to promote such an alliance and their impatience at foreign interference. Greece, Turkey, and Yugoslavia are equally responsible for this development, which will increase Yugoslav-Italian tension and cause indecision among the NATO powers concerning their mutual commitments.

The decision to create a tripartite consultative assembly is apparently an attempt to emphasize the broadening co-operation of the three powers. Creation of such an assembly may contribute to a really effective tightly knit alliance. []

EASTERN EUROPE

8. Yugoslavia protests Soviet treatment of its diplomats:

[] Yugoslav ambassador Vidic delivered a strong protest concerning treatment of Yugoslav personnel in Moscow to Soviet deputy foreign minister V. A. Zorin recently, according to the American embassy in Moscow. He protested the "gross discourtesy and inhumanity" to himself and his family on a motor trip a few days

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earlier, as being incompatible with the professed Soviet desire to normalize relations. Zorin told Vidic that no "central organ" of the Soviet government had given orders for such treatment.

Vidic told the American embassy that this was only one of several such incidents. He attributes such discrimination to Soviet displeasure with Yugoslav efforts to strengthen the Balkan pact and with Yugoslavia's refusal to grant visas for additional Soviet personnel in Belgrade. Even though the USSR has a staff of 40 in Belgrade compared to five Yugoslavs in Moscow, Vidic says that the question of visas for additional Soviet personnel has been brought up repeatedly.

Comment: During the last six months Soviet efforts to normalize relations with Yugoslavia have diminished, and the Yugoslavs have taken various opportunities to point this out. [REDACTED]

[REDACTED]

WESTERN EUROPE

9. Catholic attack on Labor Party threatens Dutch government's stability:

[REDACTED] A statement by the Dutch Catholic bishops on 30 May that Catholic membership in the Labor Party "cannot be squared with conscience" is causing a "political sensation" and may jeopardize continued Catholic-Labor co-operation in the Dutch government, [REDACTED]

[REDACTED]

The Labor Party fears that the bishops' action will intensify the country's religious cleavages and make it extremely difficult for Catholics to have a choice of political affiliation. [REDACTED]

[REDACTED] the pamphlet's effect will depend on interpretation by the parish priests.

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Comment: Relations between these two major parties have deteriorated in the last six months. The Labor Party has scheduled a special congress for early July to discuss the bishops' statement.

While the Netherlands has heretofore offered the best example of co-operation between Socialists and Catholic political parties, the bishops' pamphlet will tend to strengthen suspicion among Socialists in the other countries considering EDC that European integration schemes are not feasible.

LATIN AMERICA

10. Mexico to support OAS meeting on Guatemala:

 Mexico's president Ruiz Cortines told Ambassador White on 2 June that he favored a meeting of the Organization of American States (OAS) on the Guatemalan problem and that he had ordered the Foreign Ministry to support Washington policy "in every way possible." Ruiz added that arrangements will be worked out by Foreign Minister Padilla Nervo.

Comment: Overt Mexican support of Washington policy will probably strongly influence other hitherto uncommitted governments to favor such an OAS meeting. Mexico was one of the countries most resistant to passing the anti-Communist resolution at the Caracas conference, and in the voting abstained, partly on the ground that it would prepare the way for "intervention" in the affairs of other American governments such as Guatemala.

Padilla now favors the current Washington proposal for preventing further arms shipments and Communist travel to Guatemala and for the use of "moral suasion" to effect a change in Guatemala's pro-Communist policy. Despite the president's orders, however, he has expressed uneasiness about applying other pressure or sanctions.

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